

DEBUNKING THE “R&D” MYTH

The pharmaceutical industry argues that by enacting reimportation legislation, overall research and development will decrease in this country. Fortunately, the drug companies cannot escape the facts:

- Most major drug companies pocket far more in pure profit and spend more on advertising than they spend on research and development
 - **AstraZeneca** (producer of Tamoxifen): In FY1999 AstraZeneca reported spending only 16%, (\$2.4 billion) on research and development. In comparison, it reported pocketing more than 24% (\$3.69 billion) in before-tax profits while spending more than 31% (\$4.8 billion) on marketing and administration.
 - **Merck and Pfizer** spent just 11.2% of its revenues on R&D in 1997 on R&D. At the same time, these companies pocketed 18.6% in pure profit and spent 28.9% on advertising (Sager/Socolar study, Boston University)
- The federal government in many cases is footing most of the bill on research and development for the pharmaceutical industry
 - According to a May, 2000 congressional Joint Economic Committee report, The Federal government funds about 36% of all U.S. medical research
 - Major drugs have been developed with taxpayer-funded research: Of the 21 most important drugs introduced between 1965 and 1992, 15 were developed using knowledge and techniques from federally funded research. Of these, NIH research led to the development of 7 drugs to treat patients with cancer, AIDS, hypertension, depression, herpes and anemia
 - A study of 32 drugs introduced before 1990 found that without the contributions of government laboratories and non-commercial institutions, approximately 60% of the drugs would not have been discovered or would have been delayed. “This suggests public sector research is becoming more important over time” (Maxwell and Eckhart – 1990)
- The industry has previously cried wolf, saying that more affordable drug prices will result in less expenditures on research and development. In each of those cases, R&D did not decrease.
 - In 1984, Congress passed the Waxman-Hatch Act, which increased the availability of generic drugs and provided more competition for brand name drugs. When the legislation was under consideration, representatives from the drug industry asserted: “The bill’s proposed restrictions . . . could have far ranging adverse effects on the development of new technology in this country, including serious implications for the future of university-based research and the emerging and vitally important field of biotechnology research.” After this legislation passed, research and development expenditures did not decrease as the industry predicted. Instead, they dramatically increased. According to industry data, over the next five years, pharmaceutical companies more than doubled their investment in research and development, from \$4.1 billion to \$8.4 billion.
 - In 1990, when Congress passed legislation that created the Medicaid drug rebate which required drug companies to reduce their prices for drugs sold to the Medicaid program, the drug industry made similar predictions. The Pharmaceutical Manufacturers Association contended: “Incentives for pharmaceutical research and development will be reduced. The bill would . . . make pharmaceutical research less attractive to investors.” This bill did not stifle the pharmaceutical industry’s innovation. Since 1990, pharmaceutical companies almost tripled their spending on research and development, from \$8.4 billion in 1990 to \$24 billion in 1998.